

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001201

SIPDIS

STATE PASS AIT/W

E.O. 12958: DECL: 02/01/2015

TAGS: [PREL](#) [PGOV](#) [MASS](#) [MARR](#) [CH](#) [TW](#)

SUBJECT: SPECIAL DEFENSE BUDGET FACING POLITICAL MINEFIELD

REF: A. TAIPEI 118

[1](#)B. TAIPEI 1112

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

[1](#)1. (C) Summary: A Pan-Blue leadership vacuum, political posturing by key legislators, and a hostile media environment may pose major barriers to early legislative action on the government's proposed special defense procurement budget. The Executive Yuan (EY) on March 16 slashed the funding request by more than 130 billion NTD (USD 4.3 billion) from the original 2004 estimate in an effort to respond to demands by opposition legislators. The government is also trying to leverage President Chen Shui-bian's recent cohabitation agreement with People First Party (PFP) leader James Soong to win PFP support for the program. While both the KMT and PFP leadership indicate that they will not actively block the budget, they appear either unwilling or incapable of convincing their legislative caucus leaders to engage with the government on how to move forward. Taiwan executive branch officials have reiterated requests that the USG weigh in publicly and privately in order to remind the Taiwan media and opposition party leaders that passage of the special budget will help Taiwan meet its immediate defense needs. Thus far, however, neither the President nor the two Pan-Blue leaders have been willing to make this case to their own public. End Summary.

Rough Seas Ahead

[1](#)2. (C) Officials from the National Security Council (NSC) and Ministry of National Defense (MND) tell AIT that the current political atmospherics surrounding the LY's review of the special defense procurement budget in the current LY is even worse than last Autumn due to the growing disarray within the two Pan-Blue parties. While the KMT and PFP came out of the December 11, 2004 election with their majority intact, a combination of skillful political manipulation by the President and latent internal discontent seriously weakened the ability of James Soong and Lien Chan to control their own parties, leaving the government to deal with a scattering of factions rather than coherent party structures. Officials complain also that the media environment has also deteriorated due in large part to the presence of maverick deep-Blue legislator Li Ao on the LY's Defense Committee. Li's accusation that Soong and his party are in the pay of the CIA and his demands that the USG give Taiwan weapons for free have set the tone for Taiwan media coverage of the special budget over the past month.

[1](#)3. (C) For its part, the Chen administration has thus far shown significantly greater flexibility in its dealings with the opposition than it did last Fall. Many observers suspected that the Chen administration intentionally took a hard negotiating line last year in order to force the Pan-Blue into openly opposing the package in the lead-up to the December 11 LY election. NSC Senior Advisor (responsible for political operations) Lin Jin-chang acknowledged to AIT that some of the earlier Pan-Blue demands, such as allowing the LY to act separately on the authorization and budget bills, were reasonable. Lin noted that the government has already met this and a number of other Pan-Blue requests, including by submitting the budget at a significantly reduced funding level (480 billion NTD versus 610 billion NTD in 2004). NSC aide Navy Cmdr. Yu Hsiao-pin told AIT the Chen administration is willing to make further concessions on price, and even give Pan-Blue leaders public credit, in order to secure early action.

KMT: Party Without a Cause

[1](#)4. (C) While opposition leaders say they are ready to respond to the government's gestures in good faith (Ref A), officials say it is unclear who they are supposed to negotiate with. MND Strategic Programs Department Director Vice Admiral Kao Kuang-chi, who is charged with coordinating the MND LY lobby effort, complained to AIT that they cannot find a single person within either the KMT or PFP who is able to speak for the party. "We have spoken to dozens of opposition legislators and received dozens of different demands and positions in return," he added.

15. (C) Officials on both sides tell AIT this communication problem stems from the growing inability and/or unwillingness of the Pan-Blue leadership to take a position much less exert control over their respective parties. On the KMT side, officials complain that Lien Chan remains completely absorbed on his own personal agenda and is unwilling to engage on policy issues of any kind. The rest of the party appears increasingly distracted by the campaign for KMT chairman and the selection of candidates for the December 2005 local mayor/magistrate elections. KMT LY Speaker Wang Jin-pyng, a long-time central figure in the special budget debate, told AIT on March 17 that "no one is thinking about the special budget." Wang, who is seeking allies from pro-unification KMT elders to support his bid for KMT chairman, rejected AIT's suggestion of using the special budget to respond to the PRC's Anti-Secession Law as "overly provocative." MND's Kao told AIT that Ma may be more receptive to this sort of appeal, but he acknowledged that Ma's influence over LY deliberations is limited.

PFP: It's Not Just Soong Anymore

16. (C) While Presidential Office aides say they will continue to try to leverage the February 24 cohabitation agreement with PFP Chairman Soong to secure passage of the special budget, PFP politicians tell AIT Soong may be unable to bring his party around on the issue even if he wanted to. Soong has thus far failed to win backing from either his two "defense specialists" or his party's LY caucus leadership. PFP Legislator Mei Chang-chi told AIT a March 10 meeting between Soong and the party's LY caucus failed to reach any sort of consensus. She said that PFP Defense Committee member (and former Taiwan Navy CINC) Adm. Nelson Ku was particularly adamant that the party not allow the special budget to pass during the current session. She added that a two hour one-on-one meeting between Soong and Ku failed to soften Ku's position. NSC and MND officials say that another complicating factor is the bitter rivalry between Ku and PFP Defense Committee Co-Chair Lin Yu-fang. Contrasting his stance with Ku's, Lin assured AIT on March 11 that he was willing to engage on the budget in good faith. However, Lin gave no indication he was prepared to back away from his public position that the three items in the special budget be broken up (Ref B).

17. (C) Even if Soong could persuade Ku and Lin, he might have an even harder time gaining support from the increasingly independent-minded PFP LY Caucus leadership. The MND's Kao said that the PFP is the only LY caucus that has refused to receive briefings from senior MND officials. PFP Caucus Leader Lee Yong-ping told AIT that, in her view, the Special Budget is "doomed." Kao complained to AIT that many high-profile PFP legislators view the special budget through the prism of the year-end local election. The PFP's Liu Wen-hsiung, for example, recently told Kao that he would not even consider voting for the budget for fear of alienating his deep Blue supporters ahead his campaign for Keelung City mayor. PFP Policy Chief Vincent Chang told AIT that Soong will resume efforts to forge an internal consensus after March 21, but he hinted that the PFP might require a major concession from the government, such as dropping the submarine portion of the special budget package, in order to gain full PFP backing.

18. (C) NSC Secretary General Chiou I-jen told AIT on March 18 that the government's fallback plan in case of an LY deadlock is to force a floor vote on the assumption that PFP Chair Soong will 1) support the government; and 2) bring at least 10 (out of 34) of his legislators to join the Pan-Green's 103 to secure a simple majority. Chiou asserted that if the KMT or PFP blocked action on the special budget, Pan-Green legislators could invoke a rarely used procedural mechanism to force a floor vote without waiting for the standard four-month cooling down period. However, Democratic Progressive Party (DPP) LY Defense Co-chair Lee Wen-chung downplayed the likelihood of this scenario. "What's in it for Soong?" Lee asked rhetorically, "all this would achieve for him is to show the public that he has lost control of two-thirds of his party."

Taiwan's Strategy: Looking to Washington

19. (C) The DPP's Lee and MND officials say their preferred course is to gain KMT and PFP support by a combination of horse trading on the pricing for the package and creating a positive PR environment. In this context, officials have urged expressions of support from USG officials, whose comments the Taiwan media takes more seriously than their own. The MND's Kao requested that senior USG officials find a chance to publicly counter opposition claims that the USG does not really care whether Taiwan purchases the special budget items by reiterating past DOD recommendations over the urgency of Taiwan upgrading its anti-air and anti-submarine capabilities. He recommends that DUSD Lawless or another

senior USG official provide a private interview to a major Taiwan news outlet as the best way to get this message out. The DPP's Lee separately asked AIT for data on how much money the U.S. spends each year to maintain stability in the Taiwan Strait. "We need to refute this argument that the United States is only motivated by profits," Lee commented, "I know you spend more than we do to help maintain security in the Taiwan Strait, but most people in Taiwan do not."

Comment: Leadership Vacuum

10. (C) The Chen administration appears to be taking a more practical approach to negotiations on the special budget than it did last year, but it is too early to be optimistic that the results will be any different. AIT has had only limited success in pressing the Pan-Blue to approach the special budget from the perspective of Taiwan's security needs, especially in light of recent PRC action on the Anti-Secession Law. Ironically, AIT has been equally unsuccessful in encouraging President Chen Shui-bian to publicly link the two issues, even though other senior officials in his government regularly do so. The problem on both sides of the ideological divide appears to be a lack of leadership. While Lien and Soong may not be able to bring their parties around even if they wanted to, we have seen little evidence that they, or Chen, have made any real effort to explain to their supporters why Taiwan needs to provide for its own self-defense.

PAAL